

**NORTHWEST IOWA COMMUNITY COLLEGE
SHELDON, IOWA**

**Independent Auditors' Report
Financial Statements and Supplemental Information
Schedule of Findings and Questioned Costs**

June 30, 2006

**NORTHWEST IOWA COMMUNITY COLLEGE
C O N T E N T S**

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NORTHWEST IOWA COMMUNITY COLLEGE

OFFICIALS

NAME	TITLE	TERM EXPIRES
Board of Directors		
Kenneth Vande Brake	Member	2006
Craig Struve	Member	2006
Mark Brown	Member	2008
Dr. Loretta Berkland	President	2008
James Haberkorn	Member	2007
Larry Hoekstra	Vice-President	2007
Leroy Van Kekerix	Member	2008
Community College		
Dr. William Giddings	President	
Alethea Stubbe	Vice President of Finance and Administrative Services, Board Secretary/Treasurer	



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Northwest Iowa Community College
Sheldon, Iowa

We have audited the accompanying financial statements of NORTHWEST IOWA COMMUNITY COLLEGE, Sheldon, Iowa, as of and for the year ended June 30, 2006. These financial statements are the responsibility of the Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statement of the Northwest Iowa Community College Foundation (the component unit of the Community College discussed in Note 1), which statements reflect total assets of \$1,615,413 and total operating revenues of \$248,834 for the year then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion insofar as it relates to that unit is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Iowa Community College as of June 30, 2006, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2006, on our consideration of Northwest Iowa Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing*

Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4–10 and 27–28, respectively, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Northwest Iowa Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information on pages 29 through 51 including the Schedule of Expenditures of Federal Awards required by the United States Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Northwest Iowa Community College. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
September 14, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Northwest Iowa Community College provides this Management's Discussion and Analysis of the College's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the College's financial statements, which follow, as well as the separately issued financial statements of the Northwest Iowa Community College Foundation, a blended component unit of the College.

2006 FINANCIAL HIGHLIGHTS

- ♦ College operating revenues increased 23.4% or \$1,760,438 from fiscal year 2005 (FY 05). Tuition and fees and Iowa Industrial New Jobs Training program increased, and federal appropriations and auxiliary enterprises revenues decreased.
- ♦ College operating expenses increased 22%, or \$2,750,974, from fiscal year 2005 (FY 05). Vocational technical, cooperative services, administration, student services, learning resources, physical plant, auxiliary enterprises, and depreciation expenses increased, while liberal arts and sciences, adult education, general institution, and scholarships and grants decreased.
- ♦ The College's net assets increased 6.3%, or \$1,091,156, from fiscal year 2005 (FY 05).

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the College's financial activities.

The Basic Financial Statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows. These provide information about the activities of the College as a whole and present an overall view of the College's finances.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the College's budget for the year.

Other Supplementary Information provides detailed information about the individual funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the College.

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

The Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the College as a whole, as of the end of the fiscal year. The Statement of Net Assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the College to the readers of the financial statements. The Statement of Net Assets includes year-end information concerning current and non-current assets, current and non-current liabilities, and net assets (assets less liabilities). Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net assets. This statement is also a good source for readers to determine how much the College owes to outside vendors and creditors. The statement also presents the available assets that can be used to satisfy those liabilities.

Net Assets

	June 30	
	2006	2005
Current Assets	\$ 19,289,409	\$ 14,128,922
Noncurrent Assets	12,760,158	12,331,471
Total Assets	32,049,567	26,460,393
Current Liabilities	4,484,444	3,552,140
Noncurrent Liabilities	9,199,118	5,633,404
Total Liabilities	13,683,562	9,185,544
Net Assets		
Invested in capital assets, net of related debt	8,723,971	8,802,920
Restricted	1,886,254	2,542,937
Unrestricted	7,755,780	5,928,992
Total Net Assets	\$ 18,366,005	\$ 17,274,849

Comparison of Net Assets

The largest portion of the College's net assets (47.5%) is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets (10.3%) includes resources that are subject to external restrictions. The remaining net assets (42.2%) are the unrestricted net assets that can be used to meet the College's obligations as they come due.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues received by the College, both operating and non-operating, and the expenses paid by the College, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the College.

In general, a public college, such as Northwest Iowa Community College, will report an operating loss since the financial reporting model classifies state appropriations and property tax as non-operating revenues. Operating revenues are received for providing goods and services to the students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. Non-operating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

Changes in Net Assets

	June 30	
	2006	2005
Operating Revenues:		
Tuition and fees	\$ 3,680,573	\$ 2,667,568
Federal appropriations	1,233,337	1,707,628
Iowa Industrial New Jobs Training Program	2,142,573	895,643
Auxiliary	1,183,805	1,600,983
Miscellaneous	1,049,506	657,534
Total operating revenues	9,289,794	7,529,356
Total operating expenses	15,246,705	12,495,731
Operating Loss	(5,956,911)	(4,966,375)
Non-operating revenues (expenses)		
State appropriations	4,874,352	4,290,298
Property tax	1,385,528	1,365,872
Interest income on investments	511,424	237,265
Gain on sale of capital assets	(11,324)	(11,847)
Rental of college facilities	16,740	16,834
Reimbursements	17,000	-
Foundation Revenue (net of expense)	262,227	281,700
Interest on indebtedness	(7,880)	(9,091)
Net non-operating revenues	7,048,067	6,171,031
Increase in net assets	1,091,156	1,204,656
Net assets Beginning of Year	17,274,849	16,070,193
Net assets End of Year	\$18,366,005	\$17,274,849

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year, with an increase in the net assets at the end of the fiscal year.

Total Revenue by Source

In FY 06, operating revenues increased by \$1,760,438 (23.4%) as a net result of the following changes:

- ♦ Tuition and fees increased by \$1,013,005 due to a \$4.00 per credit increase in tuition, the beginning of new vocational technical programs and an increase in e-college enrollment.
- ♦ Federal appropriations decreased by \$474,291 due to the completion of the Title III grant in FY 05.
- ♦ The Iowa Industrial New Jobs Training program increased \$1,246,930 due to the issuance of \$4.1 million of new jobs training certificates.
- ♦ Auxiliary enterprises revenue decreased by \$417,178 due to decreases in the activities of some of the auxiliary accounts which include the parts store, bookstore, power-line projects, heavy equipment projects, printing department, and business and industrial training.
- ♦ The miscellaneous group increased by \$391,972 due to the administrative fee that the college received from the new jobs training certificates that were issued in FY 06.

Total Expenses

	June 30	
	2006	2005
Education and support:		
Liberal arts and sciences	\$ 896,772	\$ 921,851
Vocational technical	3,476,040	2,905,474
Adult education	652,824	664,748
Cooperative services	2,160,803	906,358
Administration	1,444,392	593,189
Student services	632,854	566,894
Learning resources	220,069	209,989
Physical plant	998,950	882,064
General institution	1,814,882	1,978,490
Auxiliary enterprises	2,072,195	1,718,690
Scholarships and grants	162,210	510,504
Depreciation	714,714	637,480
Total Operating Expenses	<u>\$15,246,705</u>	<u>\$12,495,731</u>

In FY 06, operating expenses increased by \$2,750,974 (22%). The following factors explain some of the changes:

- ♦ Vocational technical increased by \$570,566. This was due to the starting of new programs in the vocational technical areas such as Radiologic Technology, Carpentry, and the 2nd year of Electrical Technology.
- ♦ Cooperative services increased by \$1,254,445 as a result of the new issuance of the 260E New Jobs Training Certificates
- ♦ Administration increased by \$851,203 as a result of an early retirement program that the college offered for FY 06. More detail on the early retirement program is presented in Note 10 to the financial statements.

- ♦ Auxiliary enterprises increased by \$353,505 as a result of spending re-training dollars received from the State of Iowa in previous years.
- ♦ Scholarships and grants decreased by \$348,294 as a result of the way the Datatel system recorded the activity of financial aid payments and the way the previous system (Legacy) for FY 05 recorded the financial aid payments.

Statement of Cash Flows

A statement included in Northwest Iowa Community College's basic financial statements is the Statement of Cash Flows. The Statement of Cash Flows is an important tool in helping users assess the College's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, non-capital financing, capital financing and investing activities.

Cash Flows

	June 30	
	2006	2005
Cash provided (used) by:		
Operating activities	\$ (1,852,339)	\$(3,813,035)
Non-capital financing activities	6,193,823	5,878,296
Capital and related financing activities	(655,089)	(1,006,349)
Investing activities	511,424	237,265
Net increase in cash	4,197,819	1,296,177
Cash, beginning of the year	10,915,247	9,619,070
Cash, end of the year	<u>\$ 15,113,066</u>	<u>\$10,915,247</u>

Cash used by operating activities includes tuition, fees, grants and contracts, net of payments to employees and to suppliers. Cash provided by non-capital financing activities includes state appropriations, local property tax received by the College and the receipt and disbursement of federal direct loan program proceeds. Cash used by capital and related financing activities represents the proceeds from debt, the principal and interest payments on debt and the purchase of capital assets. Cash provided by investing activities includes investment income received.

CAPITAL ASSETS

At June 30, 2006, the College had approximately \$9 million invested in capital assets, net of accumulated depreciation of \$9.8 million. Depreciation charges totaled \$711,883 for FY 06. Details of capital assets are shown below.

Capital Assets, Net, at Year-End

	June 30	
	2006	2005
Land	\$ 346,880	\$ 346,880
Buildings and Other Structures	6,336,734	6,664,978
Equipment	1,617,739	1,698,605
Software Development	412,457	412,457
Construction in Progress	250,161	-
Total	<u>\$ 8,963,971</u>	<u>\$ 9,122,920</u>

Planned capital expenditures for the fiscal year ending June 30, 2007 are expected to include technology and new facility construction at an estimated cost of \$1.9 million. An apartment style dormitory will be constructed through the sale of revenue bonds, and an addition for the Radiologic Technology program will be funded through the Accelerated Career Education funds from the State of Iowa. More detailed information about the College's capital assets is presented in Note 5 to the financial statements.

DEBT

At June 30, 2006, the College had \$9.6 million in debt outstanding, an increase of \$3,015,000 from 2005. The certificates payable is the 260E New Jobs Training Certificates. The table below summarizes these amounts by type.

	June 30	
	2006	2005
Certificates Payable	\$ 9,310,000	\$ 6,215,000
Notes Payable	130,000	170,000
Bonds Payable	160,000	200,000
Total	<u>\$ 9,600,000</u>	<u>\$ 6,585,000</u>

More detailed information about the College's outstanding debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS

Northwest Iowa Community College continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for College officials. Some of the realities that may potentially become challenges for the College to meet are:

- ♦ State aid will remain virtually unchanged. There was a deappropriation in state general aid in FY 02 in the net amount of \$255,751. State aid for FY 06 was \$13,359 short of what was collected in state general aid in FY 01.
- ♦ Expenses will continue to increase and the burden of meeting these obligations have been placed on the students with the continued increases in tuition and fees.
- ♦ Facilities at the College require constant maintenance and upkeep.
- ♦ Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.

The College anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the College's ability to react to unknown issues.

Contacting the College's Financial Management

This financial report is designed to provide our customers, taxpayers in the community college district and our creditors with a general overview of the College's finances and to demonstrate the College's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact Northwest Iowa Community College, 603 West Park Street, Sheldon, IA 51201.

NORTHWEST IOWA COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2006

ASSETS

Current Assets:

Cash and Pooled Investments	\$ 15,113,066
Receivables:	
Accounts, Net of Allowance for Doubtful Accounts of \$312	586,817
Property Tax:	
Current Year Delinquent	20,386
Succeeding Year	1,639,380
Iowa Industrial New Jobs Training Program	610,095
Notes	90
Due from Other Governments	1,069,499
Inventories	144,335
Total Current Assets	<u>19,289,409</u>

Noncurrent Assets:

Endowment Investments	1,615,413
Receivables:	
Iowa Industrial New Jobs Training Program	2,180,774
Capital Assets:	
Land	346,880
Buildings	11,956,148
Other Structures and Improvements	777,639
Furniture, Machinery and Equipment	5,031,213
Software Development	412,457
Construction in Progress	250,161
Accumulated Depreciation	<u>(9,810,527)</u>
Total Noncurrent Assets	12,760,158

Total Assets

\$ 32,049,567

NORTHWEST IOWA COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2006

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 309,120
Salaries and Benefits Payable	168,612
Accrued Interest Payable	547
Deferred Revenue:	
Succeeding Year Property Tax	1,639,380
Other	407,803
Early Retirement Payable	174,171
Compensated Absences Payable	19,932
Insurance Reserve	150,000
Deposits Held in Custody for Others	232,379
Certificates Payable	1,295,000
Notes Payable	52,500
Bonds Payable	35,000
Total Current Liabilities	<u>4,484,444</u>

Noncurrent Liabilities:

Compensated Absences Payable	179,386
Early Retirement Payable	802,232
Certificates Payable	8,015,000
Notes Payable	77,500
Bonds Payable	125,000
Total Noncurrent Liabilities	<u>9,199,118</u>

Total Liabilities

13,683,562

NET ASSETS

Invested in Capital Assets, Net of Related Debt	8,723,971
Restricted:	
Nonexpendable:	
Cash Reserve	119,016
Temporarily Restricted Foundation Net Assets	274,776
Permanent Foundation Net Assets	328,783
Expendable:	
Loans	13,118
Board Restricted Foundation Net Assets	461,938
Other Foundation Net Assets	549,916
Other	138,707
Unrestricted	7,755,780
Total Net Assets	<u>\$ 18,366,005</u>

See Notes to Financial Statements

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**NORTHWEST IOWA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006**

Revenues

Operating Revenues:	
Tuition and Fees, net of scholarship allowances of \$751,058	\$ 3,680,573
Federal Appropriations	1,233,337
Iowa Industrial New Jobs Training Program	2,142,573
Auxiliary Enterprises, net of scholarship allowances of \$120,799	1,183,805
Miscellaneous	1,049,506
Total Operating Revenues	<u>9,289,794</u>

Expenses

Operating Expenses:	
Education and Support:	
Liberal Arts and Sciences	896,772
Vocational Technical	3,476,040
Adult Education	652,824
Cooperative Services	2,160,803
Administration	1,444,392
Student Services	632,854
Learning Resources	220,069
Physical Plant	998,950
General Institution	1,814,882
Auxiliary Enterprises	2,072,195
Scholarships and Grants	162,210
Depreciation	714,714
Total Operating Expenses	<u>15,246,705</u>
Operating (Loss)	(5,956,911)

Non-operating Revenues (Expenses)

State Appropriations	4,874,352
Property Tax	1,385,528
Interest Income From Investments	511,424
Gain (Loss) on Disposal of Capital Assets	(11,324)
Rental of College Facilities	16,740
Reimbursements	17,000
Foundation Revenue (net of expense)	262,227
Interest on Indebtedness	(7,880)
Net Non-operating Revenues	<u>7,048,067</u>
Increase in Net Assets	1,091,156
Net Assets Beginning of Year	<u>17,274,849</u>
Net Assets End of Year	<u>\$ 18,366,005</u>

See Notes to Financial Statements

NORTHWEST IOWA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006

Cash Flows from Operating Activities:	
Tuition and Fees	\$ 3,623,681
Grants and Contracts	1,216,591
Iowa Industrial New Jobs Training Program	1,657,113
Payments to Employees	(7,106,206)
Payments to Suppliers	(4,275,894)
Net Receipts of NJTP Issuances and Repayments	944,275
Payments for Scholarships	(162,210)
Auxiliary Enterprise Charges	1,183,805
Other Receipts	1,049,506
Other Non-Operating Receipts	17,000
Net Cash (Used) by Operating Activities	<u>(1,852,339)</u>
Cash Flows from Non-Capital Financing Activities:	
State Appropriations	4,453,223
Property Tax	1,383,719
Rental of College Facilities	16,740
Foundation	245,339
Agency receipts	274,659
Agency disbursements	(179,857)
Net Cash Provided From Non-Capital Financing Activities	<u>6,193,823</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(567,089)
Principal Paid on Debt	(80,000)
Interest Paid on Debt	(8,000)
Net Cash (Used) by Capital and Related Financing Activities	<u>(655,089)</u>
Cash Flows from Investing Activities:	
Interest on Investments	511,424
Net Cash Provided by Investing Activities	<u>511,424</u>
Net Increase in Cash	4,197,819
Cash at Beginning of Year	<u>10,915,247</u>
Cash at End of Year	<u>\$ 15,113,066</u>

See Notes to Financial Statements

NORTHWEST IOWA COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006

Reconciliation of Operating Loss to Net Cash Used by

Operating Activities:

Operating (Loss) \$ (5,956,911)

Adjustments to Reconcile Operating Loss to Net Cash

Used by Operating Activities:

Depreciation 714,714

Non-Operating Receipts 17,000

Changes in Assets and Liabilities:

(Increase) in Prepaid (105,741)

(Increase) in Accounts Receivable (245,922)

(Increase) in NJTP Receivable (497,347)

(Increase) in Due From Other Governments (16,746)

Decrease in Inventories 14,008

Increase in Accounts Payable 137,413

Increase in Salaries Payable 12,730

Increase in Deferred Revenue 200,917

Increase in Compensated Absences 19,707

Increase in Early Retirement Payable 756,221

Increase in Deposits in Custody 2,618

Increase in Certificates Payable 3,095,000

Total Adjustments 4,104,572

Net Cash (Used) by Operating Activities \$ (1,852,339)

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NORTHWEST IOWA COMMUNITY COLLEGE
Notes To Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies

Northwest Iowa Community College is a publicly supported college, established and operated by Merged Area IV under the provisions of Chapter 260C of the Code of Iowa. Northwest Iowa Community College may offer programs of adult and continuing education, lifelong learning, community education, and up to two years of liberal arts, pre-professional or occupational instruction partially fulfilling the requirements for a baccalaureate degree but confers no more than an associate degree. Northwest Iowa Community College also offers up to two years of vocational or technical education, training or retraining to persons who are preparing to enter the labor market. Northwest Iowa Community College maintains a campus and has its administrative office in Sheldon, Iowa. The Community College is governed by a Board of Directors whose members are elected from each director district within Merged Area IV.

The Community College's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Northwest Iowa Community College has included all funds, organizations, agencies, boards, commissions and authorities. The Community College has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Community College are such that exclusion would cause the Community College's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Community College to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Community College. Northwest Iowa Community College has included the Northwest Iowa Community College Foundation as a blended component unit that meets the Governmental Accounting Standards Board criteria. The Northwest Iowa Community College Foundation has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the College.

Blended Component Unit

Northwest Iowa Community College Foundation is a non-profit corporation, whose goal is to provide support to the Community College and students, and whose financial activities are included as endowment funds in these financial statements. Northwest Iowa Community College Foundation primarily receives funds through donations to provide scholarships to students. The governing board of this organization has members who are also officers of the Community College. However, these members do not comprise a majority of the Foundation's board.

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies – (Continued)

Net assets of the Foundation at June 30, 2006, include the following:

Expendable Restricted Net Assets	\$ 1,011,854
Temporarily Restricted Net Assets	274,776
Permanently Restricted Net Assets	328,783
	<u>\$ 1,615,413</u>

B. Basis of Presentation

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires resources to be classified for accounting and reporting purposes into the following four net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets:

Nonexpendable – Net assets subject to externally imposed stipulations that they be maintained permanently by the Community College, including the Community College's permanent endowment funds, and a cash reserve required by Iowa Code.

Expendable – Net assets whose use by the Community College is subject to externally imposed stipulations that can be fulfilled by actions of the Community College, pursuant to those stipulations or that expire by the passage of time.

Unrestricted Net Assets: Net assets that are not subject to externally imposed situations. Resources may be designated for specific purposes by action of management or by the Board of Directors or may otherwise be limited by contractual agreements with outside parties. When an expense is incurred for which both restricted and unrestricted resources are available, the College will first apply restricted resources.

GASB Statement No. 35 also requires that Statements of Net Assets, Revenues, Expenses and Changes in Net Assets and Cash Flows be reported on a consolidated basis. These basic financial statements report information on all of the activities of the Community College. For the most part, the effect of interfund activity has been removed from these statements.

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies – (Continued)

C. Measurement Focus and Basis of Accounting

For financial reporting purposes, Northwest Iowa Community College is considered a special-purpose government engaged only in business type activities as defined in GASB Statement No. 34. Accordingly, the basic financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the balance sheet:

Cash and Pooled Investments – Investments consist of non-negotiable savings and certificates of deposit and are stated at cost which approximates fair value.

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amount of cash, and at the day of purchase, they have a maturity date no longer than three months.

Short-Term Interfund Receivables/Payables – During the course of its operations, the Community College had numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received, as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded as "due to other funds" and "due from other funds", respectively.

Due from Other Governments – This asset represents state aid, grants and reimbursements due from the State of Iowa, grants and reimbursements due from the Federal government, and amounts due from local municipalities.

Inventories – Inventories are valued at lower of cost (first-in, first-out method) or market. The cost is recorded as an expenditure at the time individual inventory items are consumed.

Property Tax Receivable – Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the Board of Directors to the appropriate County Auditors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Directors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Directors is required to certify its budget to the County Auditor by June 1 of

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies – (Continued)

each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Receivable for Iowa Industrial New Jobs Training Program (NJTP) – This represents the amount to be remitted to the Community College for training projects entered into between the Community College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2006, on NJTP projects, plus interest incurred on NJTP certificates, less revenues received to date.

Capital Assets – Capital assets, which include land, buildings and improvements and equipment and vehicles, are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. No interest costs were capitalized since there were no qualifying assets.

Capital assets are defined by the Community College as assets with initial, individual costs in excess of \$5,000.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u> <u>(In Years)</u>
Buildings	30
Other structures and improvements	30
Equipment	5-10
Vehicles	5-10

The Community College does not capitalize or depreciate library books. The value of each book falls below the capital asset threshold and the balance was deemed immaterial to the financial statements.

Salaries and Benefits Payable – Payroll and related expenses for instructors with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies – (Continued)

Deferred Revenue – When assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for deferred revenue. Deferred revenue consists of succeeding year property tax receivable, tuition deposits, tuition paid for portion of summer term after June 30th, and unearned revenue on 260 E and F projects.

Compensated Absences – Community College employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences plus related benefits are recorded as liabilities of the appropriate fund. These liabilities have been computed based on rates of pay in effect at June 30, 2006.

Auxiliary Enterprise Revenues – Auxiliary enterprise revenues primarily represent revenues generated by the bookstore, dormitories, parts, printing and reproduction, and trade and industry.

Summer Session – The College operates summer sessions during May, June, and July. Revenues and expenses for the summer sessions are allocated between fiscal years based upon the number of days in the term occurring before and after June 30th.

Tuition and Fees – Tuition and fees revenues are reported net of scholarship allowances, while other payments made directly to students are presented as scholarship expenses.

Operating and Non-Operating Activities – Operating activities, as reported in the Statement of Revenues, Expenses and Changes in Net Assets, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Non-operating activities include state appropriations, property tax and interest income.

E. Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements under the alternative method, as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (loans, funds provided to students as awarded by third parties) is accounted for as third party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a total College basis by allocating the cash payments to students, excluding payments for services, on the ratio of all aid to the aid not considered to be third party aid.

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To Financial Statements
June 30, 2006

Note 2 - Cash and Pooled Investments

The Community College's deposits in banks at June 30, 2006, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Community College is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements, certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

All of the College's investments are in savings accounts, certificates of deposit or money-market accounts, thus cost equals fair value for all of the College's investments. Additionally, as all the College's investments are some form of deposit and protected per Chapter 12c of the Iowa Code, credit risk and concentration risks do not apply. The College protects against interest rate risk by dictating all maturities be of one year or less.

Note 3 - Accounts Receivable and Credit Policies

Accounts receivable includes \$18,303 for uncollateralized student obligations stated at the amount billed to the student plus any accrued and unpaid interest. The carrying amount of accounts receivable is reduced by an allowance of \$312 that reflects management's best estimate of the amounts that will not be collected. Management reviews all accounts receivable balances that are delinquent and estimates the portion, if any, of the balance that will not be collected.

Each student is required to pay the balance on their account by the first day of class. However, students do have the option of enrolling with a third party designated by the college which administers a payment plan. The students are required to pay a \$35 fee to participate in the plan, of which NICC receives \$10. The third party handles all collections of payments and remits them to NICC.

Note 4 - Inventories

The Community College's inventories at June 30, 2006, are as follows:

Parts, Supplies and Materials	\$ 27,351
Merchandise Held for Resale-Bookstore	102,317
Other-Bookstore	<u>14,667</u>
Total	<u>\$ 144,335</u>

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To Financial Statements
June 30, 2006

NOTE 5 - Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End Of Year
Capital Assets, not being depreciated:				
Land	\$ 346,880		-	\$ 346,880
Construction in Progress	-	\$ 250,161	-	250,161
Total Capital Assets, not being depreciated	<u>346,880</u>	<u>250,161</u>	<u>-</u>	<u>597,041</u>
Capital Assets, being depreciated:				
Buildings	11,930,240	25,908	-	11,956,148
Other Structures and Improvements	777,639	-	-	777,639
Furniture, Machinery and Equipment	4,754,348	291,020	\$ 14,155	5,031,213
Software Development	412,457	-	-	412,457
Total Capital Assets, being depreciated	<u>17,874,684</u>	<u>316,928</u>	<u>14,155</u>	<u>18,177,457</u>
Less Accumulated Depreciation for:				
Buildings and Other Structures and Improvements	6,042,901	354,152	-	6,397,053
Movable Equipment	3,055,743	360,562	2,831	3,413,474
Total Accumulated Depreciation	<u>9,098,644</u>	<u>714,714</u>	<u>2,831</u>	<u>9,810,527</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 8,776,040</u>	<u>\$ (397,786)</u>	<u>\$ (11,324)</u>	<u>\$ 8,366,930</u>

Furniture, machinery and equipment include \$384,480 of assets acquired under capital lease.
Other structures and improvements include \$14,361 of assets acquired under capital lease.

The Community College signed a joint use operating lease agreement for the use of space at 950 Corporate Center, Sioux Center, Iowa on January 1, 2003. The agreement is a commitment of \$5,000 a year for five years through December 31, 2007.

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To Financial Statements
June 30, 2006

NOTE 6 – Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006, is as follows:

	<u>Certificates Payable</u>	<u>Notes Payable</u>	<u>Bonds Payable</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance Beginning of Year	\$ 6,215,000	\$ 170,000	\$ 200,000	\$ 179,611	\$ 6,764,611
Additions	4,130,000			206,895	4,336,895
Reductions	1,035,000	40,000	40,000	187,189	1,302,189
Balance End of Year	<u>\$9,310,000</u>	<u>\$130,000</u>	<u>\$ 160,000</u>	<u>\$ 199,317</u>	<u>\$ 9,799,317</u>
Portion Due Within One Year	<u>\$ 1,295,000</u>	<u>\$ 52,500</u>	<u>\$ 35,000</u>	<u>\$ 19,932</u>	<u>\$ 1,402,432</u>

Certificates Payable

In accordance with agreements dated between December 9, 1985 and March 1, 2006, the Community College issued certificates totaling \$17,585,000, with interest rates ranging from 2.6% to 8.1% per annum. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default from standby property taxes.

Long-Term Debt

The certificates will mature as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,295,000	\$ 541,432	\$ 1,836,432
2008	1,695,000	464,243	2,159,243
2009	1,400,000	364,998	1,764,998
2010	955,000	279,795	1,234,795
2011	1,015,000	225,468	1,240,468
2012-2015	2,950,000	434,225	3,384,225
Total	<u>\$ 9,310,000</u>	<u>\$ 2,310,161</u>	<u>\$ 11,620,161</u>

Notes Payable

The Community College has issued two notes as allowed by Section 260C.58 of the Code of Iowa.

The first note, for the purchase of equipment, was issued for \$125,000 during the year ended June 30, 2000. There is no stated interest rate and the note is payable in annual installments of \$12,500 each July beginning on July 1, 2000. The note balance at June 30, 2006 is \$50,000. The note is unsecured.

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To Financial Statements
June 30, 2006

NOTE 6 – Changes in Long-Term Liabilities – (Continued)

The second note, to finance building expansion, was issued for \$200,000 during the year ended June 30, 2003. There is no stated interest rate and the note is payable in annual installments of \$40,000 each September beginning on September 9, 2003. The note balance at June 30, 2006 is \$80,000. The note is unsecured.

Bonds Payable

On December 1, 2001, the Community College advance refunded its 1992 dormitory building construction bonds. The Community College issued \$335,000 dormitory refunding revenue bonds with interest rates ranging from 2.50% to 4.30% to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Plant Fund. This refunding was undertaken to reduce total debt service payments over the next 8 years by \$81,590.

The Dormitory refunding bonds will mature as follows:

<u>Years Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	3.80%	\$ 35,000	\$ 6,560	\$ 41,560
2008	4.05%	40,000	5,230	45,230
2009	4.20%	45,000	3,610	48,610
2010	4.30%	40,000	1,720	41,720
Total		<u>\$ 160,000</u>	<u>\$ 17,120</u>	<u>\$ 177,120</u>

NOTE 7 – Iowa Public Employees Retirement System (IPERS)

The Community College contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.7% of their annual covered salary and the Community College is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The Community College's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$135,970, \$123,246, and \$115,925 respectively, equal to the required contribution.

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To Financial Statements
June 30, 2006

NOTE 8 – Teachers Insurance and Annuity Association – College Retirement Equities (TIAA-CREF)

The Community College contributes to the TIAA-CREF retirement program, which is a defined contribution plan. TIAA administers the retirement plan for the Community College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible Community College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 3.7% and the Community College is required to contribute 5.75%. The Community College and employee required and actual contribution to TIAA-CREF for the year ended June 30, 2006, was \$132,679 and \$85,375, respectively.

NOTE 9 – New Jobs Training Programs

The Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area IV in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the Community College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes. Since inception, the Community College has administered fifty-four projects with twenty-one currently receiving project funding. The thirty-three remaining projects have been completed, and only repayment of the certificates is left. In cases where projects exceed the budgeted amounts, the Community College intends to obtain additional withholding revenue from the companies.

The Community College also administers the Iowa Small Business New Jobs Training Program (SBNJTP) in Area IV in accordance with Chapter 260F of the Code of Iowa. SBNJTP's purpose is to provide tax-aided training or retraining for employees of small businesses which are new to or are expanding their operations within the State of Iowa. Approved small businesses receive loans from the Iowa Employment Training Fund, a State administered fund. Since inception, the Community College has administered 54 projects, with 13 currently receiving project funding.

The Community College is also involved in the Iowa Accelerated Career Education (ACE) Program in Area IV in accordance with Chapter 260G of the Code of Iowa. ACE's purpose is to provide financial assistance for business driven training programs. The Community College received state grants for \$291,837 and \$366,666 for the construction of a new facility for the associate degree in nursing program, as well as \$366,666 and \$422,221 for construction involved with a new radiology tech program. Construction has not begun on the radiology tech expansion, thus neither of those grants had been received at June 30, 2006. The second aspect of this program provides funding for the operational costs of a program through withholding credits and a 20% employer match. The Community College has six 260G programs, general machinist, industrial instrumentation, practical nursing, radiology tech, and two associate nursing programs.

NORTHWEST IOWA COMMUNITY COLLEGE
Notes To Financial Statements
June 30, 2006

NOTE 10 – Termination Benefits

The College offered a voluntary early retirement plan to its employees during fiscal year 2006. The plan was effective from July 1, 2006 thru June 30, 2007. Eligible employees must have completed at least ten years of full-time service to the College and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Directors and letter of resignation was to be received by March 13, 2006. Eight employees are in the new program. This was a one time opportunity and currently there is no early retirement plan in place.

Early retirement benefits are a one-time cash incentive equal to the applicable percentage (2-3% based on years of service), multiplied by the employee's total number of qualifying years of service, multiplied by the employee's annual base salary at the date of retirement request or the average of the employee's three highest years of base salary, whichever is greater, with a maximum retirement benefit not to exceed 100% of the employee's annual base salary at the date of request for early retirement.

The one-time incentives will be paid in two equal installments the first within 60 days of retirement. The second payment will be paid one hundred eighty days thereafter.

Eligible employees of the new plan shall also receive, at no cost to the employee, health/dental coverage for both the employee and spouse for up to 84 months depending upon age and years of service.

In fiscal year 2003 the college also offered a one-time enrollment early retirement plan in which the college offered one-time cash payments, which have subsequently been paid, and no cost health/dental coverage to the employees and spouses until age 65. At June 30, 2006 there were four employees receiving health/dental coverage under this plan.

At June 30, 2006, the college has obligation to twelve participants with a total liability of \$976,403. The liability is calculated based on unadjusted premium amounts to be paid over the term of each employee's involvement in the plan. Actual early retirement cash basis expenditures for the year ended June 30, 2006 totaled \$44,995.

NOTE 11 – Risk Management

The Community College carries commercial insurance purchased from other insurers for coverage associated with general liability, automobile liability and physical damage, property and inland marine, errors and omissions, crime insurance, fiduciary bonds, boiler and machinery insurance, and health and dental insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Prior to July 31, 2003, the Community College self-insured for health and dental coverage. The insurance reserve liability of \$150,000 is maintained in case the Community College decides to self-insure in the future.

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REQUIRED SUPPLEMENTARY INFORMATION

NORTHWEST IOWA COMMUNITY COLLEGE
 Budgetary Comparison Schedule of Expenditures –
 Budget and Actual
 June 30, 2006

Funds/Levy	Budget	Actual	Variance Between Actual and Budget
Unrestricted	\$ 8,295,794	\$ 8,318,385	\$ (22,591)
Restricted	4,366,000	3,424,729	941,271
Unemployment	10,000	7,620	2,380
Insurance	151,700	143,529	8,171
Early Retirement	48,000	801,216	(753,216)
Equipment Replacement	232,899	214,644	18,255
Total Restricted	4,808,599	4,591,738	216,861
Plant	1,200,000	662,082	537,918
Total	\$ 14,304,393	\$ 13,572,205	\$ 732,188

NORTHWEST IOWA COMMUNITY COLLEGE
Note to Required Supplementary Information –
Budgetary Reporting
June 30, 2006

The Board of Directors annually prepares a budget designating the proposed expenditures for operation of the Community College on a basis consistent with U.S. generally accepted accounting principles. Following required public notice and hearing and in accordance with Chapter 260C of the Code of Iowa, the Board of Directors certifies the approved budget to the appropriate county auditors and then submits the budget to the State Board of Education for approval. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total operating expenditures.

Budgets are not required to be adopted for the Auxiliary Enterprises subgroup, Job Training Partnership Act Accounts, Scholarships and Grants Accounts, Loan Funds, Endowment Funds and Agency Funds.

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OTHER SUPPLEMENTARY INFORMATION

NORTHWEST IOWA COMMUNITY COLLEGE
Notes to Other Supplementary Information
June 30, 2006

Supplemental Financial Statements

The supplemental financial information of the Community College is presented on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenue and expenditures. These funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The various fund groups and their designated purposes are as follows:

Current Funds – The current funds are utilized to account for those economic resources that are expendable for the purpose of performing the primary and supporting missions of the Community College and consist of the following:

Unrestricted Fund – The Educational and Support subgroup of the Unrestricted Fund accounts for the general operations of the Community College. All property tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this subgroup. From this subgroup are paid the general operating expenses, the fixed charges and the expenditures for plant assets that are not paid from other funds.

The Auxiliary Enterprises subgroup accounts for activities which are intended to provide non-instructional services for sales to students, staff, and/or institutional departments and which are supplemental to the educational and general objectives of the Community College. In addition, it accounts for activities which provide instructional and laboratory experiences for students and which incidentally create goods and services that may be sold to students, faculty, staff and the general public.

Restricted Fund – The Restricted Fund is used to account for resources that are available for the operation and support of the educational program but which are restricted as to their use by donors or outside agencies.

Loan Funds – The Loan Funds are used to account for loans to students, and are financed primarily by contributions from private citizens.

Endowment Fund – The Northwest Iowa Community College Foundation is reported as an endowment fund since the net assets are maintained under the separate control of the Foundation Board and are not accessible directly by the Community College. A significant portion of the Foundation net assets are restricted by donors where the principal is maintained inviolate and only the income from those funds may be used.

Plant Funds – The Plant Funds are used to account for transactions relating to investment in the Community College properties and consist of the following self-balancing subfunds:

Unexpended – This subfund is used to account for the unexpended resources derived from various sources for the acquisition or construction of plant assets.

Retirement of Indebtedness – This subfund is used to account for the accumulation of resources for principal and interest payments on plant indebtedness.

NORTHWEST IOWA COMMUNITY COLLEGE
Notes to Other Supplementary Information
June 30, 2006

Investment in Plant – This subfund is used to account for the excess of the carrying value of plant assets over the related liabilities.

Agency Funds – The Agency Funds are used to account for assets held by the Community College in a custodial capacity or as an agent for others. Agency Funds' assets equal liabilities. Transactions of the Agency Funds represent charges or credits to the individual asset and liability accounts and do not involve measurement of revenues or expenditures.

Statements presented in the supplemental information are reported using the "current financial resources measurement focus" and the accrual basis of accounting with modifications for depreciation and other items included in the adjustments column. The statement of revenues, expenditures and changes in fund balance is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses.

**NORTHWEST IOWA COMMUNITY COLLEGE
BALANCE SHEET
JUNE 30, 2006**

	Current Funds			
	Restricted			Loan Funds
	Unrestricted	New Jobs Training	Other Restricted	
Assets				
Cash and Pooled Investments	\$ 4,847,483	\$ 6,519,131	\$ 1,244,314	\$ 13,028
Receivables:				
Accounts	569,742		3,075	
Property Tax:				
Current Year Delinquent	7,073		6,240	
Succeeding Year	501,457		636,466	
Notes				90
Due from Other Funds	1,346			
Due from Other Governmental Agencies	114,915		116,222	
Iowa Industrial New Jobs Training Program		2,790,869		
Inventories	144,335			
Prepaid Expenses	105,741			
Capital Assets				
Land				
Buildings				
Construction in Progress				
Software Development				
Other Structures and Improvements				
Furniture, Machinery and Equipment				
Accumulated Depreciation				
Endowment Investments				
Total Assets	\$ 6,292,092	\$ 9,310,000	\$ 2,006,317	\$ 13,118

See Accompanying Independent Auditor's Report

Plant Funds						
Endowment Fund	Unexpended	Retirement of Indebtedness	Investment in Plant	Agency Funds	Adjustments	Total
	\$ 2,313,708			\$ 175,402		\$ 15,113,066
	14,000					586,817
	7,073					20,386
	501,457					1,639,380
						90
	34,358				\$ (35,704)	-
	788,887			49,475		1,069,499
						2,790,869
						144,335
						105,741
			\$ 346,880			346,880
			11,956,148			11,956,148
			250,161			250,161
			412,457			412,457
			777,639			777,639
			5,031,213			5,031,213
					(9,810,527)	(9,810,527)
\$ 1,615,413						1,615,413
\$ 1,615,413	\$ 3,659,483	\$ -	\$ 18,774,498	\$ 224,877	\$ (9,846,231)	\$ 32,049,567

NORTHWEST IOWA COMMUNITY COLLEGE
BALANCE SHEET
JUNE 30, 2006

	Current Funds			
	Unrestricted	Restricted		Loan Funds
		New Jobs Training	Other Restricted	
Liabilities and Equity				
Liabilities:				
Accounts Payable	\$ 304,022		\$ 440	
Salaries and Benefits Payable	159,720		8,892	
Interest Payable				
Due to Other Funds			1,346	
Deferred Revenue				
Succeeding Year Property Tax	501,457		636,466	
Other	317,661		90,142	
Early Retirement Payable			976,403	
Compensated Absences	196,466			
Insurance Reserve	150,000			
Deposits Held in Custody for Others	12,754			
Certificates Payable		\$ 9,310,000		
Notes Payable	50,000			
Bonds Payable				
Total Liabilities	1,692,080	9,310,000	1,713,689	-
Fund Balance:				
Invested in Capital Assets, Net of Related Debt				
Fund Balances:				
Restricted				
Nonexpendable:				
Cash Reserve			119,016	
Temporarily Restricted Foundation Net Assets				
Permanent Foundation Net Assets				
Expendable:				
Loans				\$ 13,118
Board Restricted Foundation Net Assets				
Other Foundation Net Assets				
Other			173,612	
Unrestricted	4,600,012			
Total Fund Balances	4,600,012	-	292,628	13,118
Total Liabilities and Equity	\$ 6,292,092	\$ 9,310,000	\$ 2,006,317	\$ 13,118

Endowment Fund	Plant Funds				Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment in Plant	Agency Funds		
	\$ 2,258			\$ 2,400		\$ 309,120
						168,612
		\$ 547				547
		34,358			\$ (35,704)	-
	501,457					1,639,380
\$ 110,759					(110,759)	407,803
				2,852		976,403
						199,318
						150,000
				219,625		232,379
						9,310,000
			\$ 80,000			130,000
			160,000			160,000
110,759	503,715	34,905	240,000	224,877	(146,463)	13,683,562
			18,534,498		(9,810,527)	8,723,971
						119,016
274,776						274,776
328,783						328,783
						13,118
461,938						461,938
439,157					110,759	549,916
		(34,905)				138,707
	3,155,768					7,755,780
1,504,654	3,155,768	(34,905)	18,534,498	-	(9,699,768)	18,366,005
\$ 1,615,413	\$ 3,659,483	\$ -	\$ 18,774,498	\$ 224,877	\$ (9,846,231)	\$ 32,049,567

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NORTHWEST IOWA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENDITURES
AND OTHER CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006

	Current Funds		
	Unrestricted	Restricted	
		Jobs Training	Other Restricted
Revenues and other additions:			
General:			
State Appropriations	\$ 4,079,343		\$ 321,788
Tuition and Fees	3,680,573		
Property tax	480,715		423,820
Federal Appropriations	265,091		968,246
Interest on Investments	432,825	\$ 8,152	34,962
Rental of College Facilities	16,740		
Reimbursements			
Iowa Industrial New Jobs Training Program		2,142,573	
Increase in Plant Investment Due to Plant Expenditures			
Increase in Plant Investment Due to Retirement of Debt			
Miscellaneous	63,259		941,058
Total General	9,018,546	2,150,725	2,689,874
Auxiliary Enterprises:			
State Appropriations	202,177		
Tuition and Fees	44,438		
Sales and Services	1,288,431		
Interest on Investments	48,809		
Federal Appropriations	67,021		
Miscellaneous	553,922		
Total Auxiliary Enterprises	2,204,798	-	-
Foundation Revenue, Gains & Support			
Total Revenues and Other Additions	\$ 11,223,344	\$ 2,150,725	\$ 2,689,874

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Loan Funds	Endowment Funds	Plant Funds			Adjustments	Total
		Unex- pended	Retirement of Indebtedness	Investment in Plant		
		\$ 473,221				\$ 4,874,352
						3,680,573
		480,993				1,385,528
						1,233,337
		35,485				511,424
						16,740
		17,000				17,000
						2,142,573
				\$ 567,089	\$ (567,089)	-
				40,000	(40,000)	-
\$ 45		45,144				1,049,506
45	-	1,051,843	-	607,089	(607,089)	14,911,033
						202,177
					(751,058)	(706,620)
					(269,935)	1,018,496
						48,809
						67,021
						553,922
					(1,020,993)	1,183,805
	\$ 248,834				21,943	270,777
\$ 45	\$ 248,834	\$ 1,051,843	-	\$ 607,089	\$ (1,606,139)	\$ 16,365,615

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**NORTHWEST IOWA COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENDITURES
AND OTHER CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006**

	Current Funds		
	Unrestricted	Restricted	
		Jobs Training	Other Restricted
Expenditures and other deductions:			
Education and Support:			
Liberal Arts and Sciences	\$ 924,579		\$ 7,139
Vocational Technical	3,346,652		103,602
Adult Education	701,671		
Cooperative Services	12,380	\$ 2,150,725	
Administration	634,152		810,240
Student Services	632,854		
Learning Resources	170,120		
Physical Plant	580,043		143,529
General Institution	1,315,934		498,948
Total Education and Support	8,318,385	2,150,725	1,563,458
Auxiliary Enterprises	2,072,195		
Scholarships and Grants			877,555
Plant Asset Acquisitions			
Retirement of Indebtedness			
Disposal of Plant Assets			
Loss on Disposal of Assets			
Interest on Indebtedness			
Depreciation			
Foundation Program & Supporting Services			
Total Expenditures	10,390,580	2,150,725	2,441,013
Excess (Deficiency) of Revenues and Other Additions			
Over (Under) Expenditures and Other Deductions	832,764	-	248,861
Transfers:			
Mandatory Transfers			
Non-mandatory Transfers	(255,633)		(874,597)
Total Transfers	(255,633)	-	(874,597)
Net	577,131	-	(625,736)
Fund Balances Beginning of Year	4,022,881	-	918,364
Fund Balances End of Year	\$ 4,600,012	\$ -	\$ 292,628

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Loan Funds	Endowment Funds	Plant Funds			Adjustments	Total
		Unex- pended	Retirement of Indebtedness	Investment in Plant		
	\$ 88,827				\$ (34,946)	\$ 896,772
					(63,041)	3,476,040
					(48,847)	652,824
					(2,302)	2,160,803
						1,444,392
						632,854
					49,949	220,069
	\$ 275,378					998,950
						1,814,882
-	88,827	275,378	-	-	(99,187)	12,297,586
						2,072,195
	156,512				(871,857)	162,210
		617,038			(617,038)	-
			\$ 40,000		(40,000)	-
				\$ 14,155	(14,155)	-
					11,324	11,324
			7,880			7,880
					714,714	714,714
	8,550					8,550
-	253,889	892,416	47,880	14,155	(916,199)	15,274,459
45	(5,055)	159,427	(47,880)	592,934	(689,940)	1,091,156
		(40,000)		40,000		-
		1,130,230				-
-	-	1,090,230	-	40,000	-	-
45	(5,055)	1,249,657	(47,880)	632,934	(689,940)	1,091,156
\$ 13,073	1,509,709	1,906,111	12,975	17,901,564	(9,009,828)	17,274,849
\$ 13,118	\$ 1,504,654	\$ 3,155,768	\$ (34,905)	\$ 18,534,498	\$ (9,699,768)	\$ 18,366,005

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NORTHWEST IOWA COMMUNITY COLLEGE
UNRESTRICTED FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
EDUCATION AND SUPPORT
FOR THE YEAR ENDED JUNE 30, 2006

	Education			
	Liberal Arts and Science	Vocational Technical	Adult Education	Cooperative Services
REVENUES				
State Appropriations	\$ 865,735	\$ 1,929,096	\$ 1,279,785	
Tuition and Fees	985,074	2,352,663	313,523	
Property Tax				
Federal Appropriations	3,000	69,523	132,061	\$ 12,000
Rental of College Facilities				
Interest on Investments				
Miscellaneous		4,065	130	
	<u>1,853,809</u>	<u>4,355,347</u>	<u>1,725,499</u>	<u>12,000</u>
Allocation of Support Services	251,171	453,100	351,078	16,542
	<u>2,104,980</u>	<u>4,808,447</u>	<u>2,076,577</u>	<u>28,542</u>
Total Revenues				
EXPENDITURES				
Salaries and Benefits	873,007	2,851,222	547,070	5,666
Services	37,138	183,386	95,258	5,979
Materials and Supplies	13,971	241,558	24,248	548
Travel	463	20,506	35,095	187
Miscellaneous		49,980		
	<u>924,579</u>	<u>3,346,652</u>	<u>701,671</u>	<u>12,380</u>
Allocation of Support Services	781,029	1,408,939	1,091,695	51,440
	<u>1,705,608</u>	<u>4,755,591</u>	<u>1,793,366</u>	<u>63,820</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	399,371	52,856	283,211	(35,277)
TRANSFERS				
Non-Mandatory Transfers In		105,714		
Non-Mandatory Transfers Out		(57,752)		
Net	<u>\$ 399,371</u>	<u>\$ 100,818</u>	<u>\$ 283,211</u>	<u>\$ (35,277)</u>

Fund Balances Beginning of Year

Fund Balances End of Year

Note: The support services allocations are based on the percentage of contact hours reported.

Support Services					Total Education and Support Services
General Administration	Student Services	Learning Resources	Physical Plant	General Institution	
\$ 848		\$ 131	\$ 3,748		\$ 4,079,343
	\$ 29,313				3,680,573
480,715					480,715
24,686				\$ 23,821	265,091
			16,740		16,740
417,195				15,630	432,825
27,103			15,697	16,264	63,259
950,547	29,313	131	36,185	55,715	9,018,546
(950,547)	(29,313)	(131)	(36,185)	(55,715)	-
-	-	-	-	-	9,018,546
464,036	553,375	124,923	390,130	538,764	6,348,193
145,450	51,098	13,257	113,963	507,814	1,153,343
9,734	21,671	31,353	75,936	73,775	492,794
14,932	6,710	587	14	51,839	130,333
				143,742	193,722
634,152	632,854	170,120	580,043	1,315,934	8,318,385
(634,152)	(632,854)	(170,120)	(580,043)	(1,315,934)	-
-	-	-	-	-	8,318,385
-	-	-	-	-	700,161
					105,714
				(653,371)	(711,123)
-	-	-	-	\$ (653,371)	94,752
					973,516
					\$ 1,068,268

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NORTHWEST IOWA COMMUNITY COLLEGE
UNRESTRICTED FUND
STATEMENT OF REVENUES, EXPENDITURES
AND OTHER CHANGES IN FUND BALANCE
AUXILIARY ENTERPRISES
FOR THE YEAR ENDED JUNE 30, 2006

	Bookstore	Dormitories	Carpentry
REVENUES			
State Appropriations			
Tuition and Fees			
Sales and Services (Net of Returns)	\$ 530,375	\$ 70,046	\$ 70,500
Interest on Investments	4,335	4,429	4,258
Federal Appropriations			
Miscellaneous		662	6,299
Total Revenues	534,710	75,137	81,057
EXPENDITURES			
Salaries and Benefits	58,714		
Services	13,482	30,228	1,614
Materials and Supplies	3,786	1,287	2,932
Travel	64		
Cost of Goods Sold	386,996		61,519
Miscellaneous	100		
Total Expenditures	463,142	31,515	66,065
Excess (Deficiency) of Revenues Over (Under) Expenditures	71,568	43,622	14,992
TRANSFERS			
Non-Mandatory Transfers In			
Non-Mandatory Transfers Out	(6,765)	(48,000)	
Net	64,803	(4,378)	14,992
Fund Balance Beginning of Year	371,555	210,473	89,551
Fund Balance End of Year	<u>\$ 436,358</u>	<u>\$ 206,095</u>	<u>\$ 104,543</u>

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Farm	Parts	Printing and Reproduction	Trade and Industry	Other	Total
			\$ 61,574	\$ 140,603	\$ 202,177
				44,438	44,438
\$ 700	\$ 199,135	\$ 99,138		318,537	1,288,431
3,060	1,569	4,390	15,561	11,207	48,809
				67,021	67,021
		4	278,452	268,505	553,922
3,760	200,704	103,532	355,587	850,311	2,204,798
		32,768	287,155	71,922	450,559
	222	26,859	215,311	272,478	560,194
	358	982	31,157	208,078	248,580
			28,157	36,513	64,734
	223,654	12,068		51,978	736,215
		1,715		10,098	11,913
-	224,234	74,392	561,780	651,067	2,072,195
3,760	(23,530)	29,140	(206,193)	199,244	132,603
		1,615	29,220	579,132	609,967
		(7,471)		(197,955)	(260,191)
3,760	(23,530)	23,284	(176,973)	580,421	482,379
67,343	132,103	167,465	497,949	1,512,926	3,049,365
<u>\$ 71,103</u>	<u>\$ 108,573</u>	<u>\$ 190,749</u>	<u>\$ 320,976</u>	<u>\$ 2,093,347</u>	<u>\$ 3,531,744</u>

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NORTHWEST IOWA COMMUNITY COLLEGE
RESTRICTED FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

	Scholarships and Grants	Equipment Replacement	Insurance
REVENUES			
State Appropriations	\$ 90,310		
Property Tax		\$ 213,814	\$ 162,280
Federal Appropriations	605,082		
Investment Income			
Iowa Industrial New Jobs Training Program			
Gifts and Grants			
Miscellaneous	182,688		
Total Revenues	<u>878,080</u>	<u>213,814</u>	<u>162,280</u>
EXPENDITURES			
Salaries and Benefits			
Services			143,529
Material and Supplies		214,644	
Travel			
Interest in Indebtedness			
Federal Pell Grant Program	583,996		
Federal Supplemental Educational Opportunity Grant	14,864		
Federal TRIO and Title 3 Grant Program			
Federal College Work Study	6,222		
Other Misc. Federal Funds	298		
Iowa College Student Aid Commission	72,917		
Other Misc. State Grants	17,459		
Private Scholarships	181,799		
Total Expenditures	<u>877,555</u>	<u>214,644</u>	<u>143,529</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	525	(830)	18,751
TRANSFERS			
Non-Mandatory Transfers In			
Non-Mandatory Transfers Out			
Net	<u>525</u>	<u>(830)</u>	<u>18,751</u>
Fund Balances Beginning of Year	<u>5,966</u>	<u>(83,712)</u>	<u>57,464</u>
Fund Balances (Deficit) End of Year	<u>\$ 6,491</u>	<u>\$ (84,542)</u>	<u>\$ 76,215</u>

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Unemployment Compensation	Early Retirement	Cash Reserve	Iowa Industrial New Jobs Training Program	Other	Total
	\$ 47,726			\$ 231,478	\$ 321,788
					423,820
				363,164	968,246
			\$ 8,152	34,962	43,114
			2,142,573		2,142,573
				758,370	941,058
<u>-</u>	<u>47,726</u>	<u>-</u>	<u>2,150,725</u>	<u>1,387,974</u>	<u>4,840,599</u>
\$ 7,620	801,216			287,276	1,096,112
			1,717,903	22,195	1,883,627
				51,776	266,420
				14,702	14,702
			432,822		432,822
					583,996
					14,864
				20,500	20,500
					6,222
					298
					72,917
					17,459
					181,799
<u>7,620</u>	<u>801,216</u>	<u>-</u>	<u>2,150,725</u>	<u>396,449</u>	<u>4,591,738</u>
(7,620)	(753,490)	-	-	991,525	248,861
					-
				(874,597)	(874,597)
<u>(7,620)</u>	<u>(753,490)</u>	<u>-</u>	<u>-</u>	<u>116,928</u>	<u>(625,736)</u>
36,668	(183,872)	\$ 119,016	-	966,834	918,364
<u>\$ 29,048</u>	<u>\$ (937,362)</u>	<u>\$ 119,016</u>	<u>\$ -</u>	<u>\$ 1,083,762</u>	<u>\$ 292,628</u>

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NORTHWEST IOWA COMMUNITY COLLEGE
AGENCY FUNDS
STATEMENT OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Student Clubs and Organizations</u>	<u>Iowa Retraining Loan Program</u>	<u>NICC Foundation</u>	<u>Other</u>	<u>Total</u>
Balance Beginning of Year	\$ 46,481	\$ 4,475	\$ 69,919	\$ 3,948	\$ 124,823
<u>ADDITIONS</u>					
State Appropriations					
Tuition and Fees	27,899				27,899
Federal Appropriations	105				105
Interest on Investments			2,245		2,245
Transfers from Governmental Funds	6,381		132,101		138,482
Miscellaneous	45,242			60,686	105,928
Total Additions	79,627	-	134,346	60,686	274,659
<u>DEDUCTIONS</u>					
Salaries and Benefits	12,340		30,857	52,627	95,824
Services and Workshops	20,262			7,207	27,469
Material and Supplies	15,019			4,382	19,401
Travel	14,839			62	14,901
Scholarships and Awards	1,674				1,674
Miscellaneous	20,322			266	20,588
Total Deductions	84,456	-	30,857	64,544	179,857
Balance End of Year	<u>\$ 41,652</u>	<u>\$ 4,475</u>	<u>\$ 173,408</u>	<u>\$ 90</u>	<u>\$ 219,625</u>

NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>	<u>New Loans and New Loan Guarantees</u>
Direct:			
U.S. Department of Education:			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	\$ 14,864	
Federal Family Education Loans	84.032		\$ 1,778,675
Federal Work-Study Program	84.033	29,532	
Federal Pell Grant Program	84.063	583,996	
Total for Student Financial Aid Cluster - Note 2		628,392	1,778,675
Higher Education - Institutional Aid	84.031	66,586	
TRIO Student Support Services	84.042	220,539	
U.S. Department of Labor:			
WIA Pilots, Demonstrations, and Research Projects	17.261	57,745	
Total Direct		973,262	1,778,675
Indirect:			
U.S. Department of Education:			
Indirect Through Iowa Department of Education:			
Adult Education - State Grant Program	84.002	131,286	
Vocational Education - Basic Grants to States	84.048	69,523	
Vocational Education - Sex Equity/Minority Grant	84.048A	12,000	
Tech-Prep Education	84.243	65,499	
Improving Teacher Quality State Grants	84.367B	66,211	
U.S. Department of Labor:			
Indirect Through Iowa Department of Education:			
Incentive Grants- WIA Section 503	17.267	18,845	
Indirect Through Proteus Inc.:			
National Farm Workers Jobs Program	17.264	760	
Total Indirect		364,124	-
Total		<u>\$ 1,337,386</u>	<u>\$ 1,778,675</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - BASIS OF PRESENTATION- The above Schedule of Expenditures of Federal Awards includes the federal grant activity of Northwest Iowa Community College and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 - MAJOR PROGRAMS- Total expenditures from the Student Financial Aid Cluster are considered a major program.

**NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF COSTS COMPARED TO BUDGET
IOWA INDUSTRIAL NEW JOBS TRAINING PROGRAM
FOR THE YEAR ENDED JUNE 30, 2006**

Project Name	Project Costs				Subtotal
	Training and Wages	Administration	Transfers	Legal and Issue Costs	
Rosenboom Machine & Tool - 94			\$ 40,588		\$ 40,588
Grand Labs - 94			613		613
Plum Building Systems - 96					
DEMCO - 97	\$ 4,368	\$ 42			4,410
Foreign Candy Co. - 97		30			30
Vet Pharm - 97		66			66
Miller Loaders, Inc. - 97		39			39
Nemschoff Chairs - 97	7,871	123			7,994
Maintainer Corp. of Iowa - 97	11,623	111			11,734
Interstates Electric - 97		108			108
Link Manufacturing - 97		81			81
The Conveyor Company - 98		126			126
Rosenboom Machine & Tool - 98		174	12,971		13,145
Excel Specialty Products - 99		305			305
Foreign Candy Co. - 99		130			130
Med Tec - 99		60			60
Data Dimensions - 99		5			5
Pella Corp. - 00		330			330
Link Manufacturing - 00	10,600	70			10,670
Hayes-Albion - 00		70			70
Valley Machining - 00		30			30
Pella Corp. - 01	548	273			821
Vet Pharm - 01		49			49
SL Energy and Livestock - 01		28			28
Advanced Brands	27,346	525			27,871
Interstates Electric - 03	72,658	172			72,830
Revival Animal Health - 03	10,935	53			10,988
Little Sioux Corn Processors - 03		126			126
Patrick Cudahy - 04	150,879	210			151,089
Total Component Solutions - 04	12,062	52			12,114
Novartis Animal Health - 04	95,945	87			96,032
TEC Industries - 05	38,858	101			38,959
Alpha Omega Publishing - 05	58,840	46			58,886
Prestige Foods - 05	119,126	203			119,329
Advanced Brands #2		11,489		\$ 248,391	259,880
Cargobody Products	35,617	97,298		1,575	134,490
Maintainer Corp. #2		104,144		1,684	105,828
Nemschoff Chairs #2	106,880	112,041		1,813	220,734
Patrick Cudahy #2		99,616		1,611	101,227
Pella #3		140,332		2,270	142,602
Roseboon #3		125,625		2,032	127,657
Total	<u>\$ 764,156</u>	<u>\$ 694,370</u>	<u>\$ 54,172</u>	<u>\$ 259,376</u>	<u>\$ 1,772,074</u>

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Retirement Costs		Current Year Costs	Less: Non-Budgeted Costs	Prior Period Budgeted Costs	Total Budgeted Costs	Budget
Debt	Interest					
		\$ 40,588		\$ 222,518	\$ 263,106	\$ 245,000
		613		91,456	92,069	100,000
				92,463	92,463	100,000
\$ 15,000	\$ 1,875	21,285	\$ 16,875	81,173	85,583	105,000
10,000	1,250	11,280	11,250	64,426	64,456	70,000
10,000	1,738	11,804	11,738	68,313	68,379	75,000
15,000	2,190	17,229	17,190	19,427	19,466	95,000
20,000	2,780	30,774	22,780	91,292	99,286	140,000
20,000	3,128	34,862	23,128	92,032	103,766	130,000
40,000	5,315	45,423	45,315	228,329	228,437	265,000
25,000	3,440	28,521	28,440	154,967	155,048	200,000
35,000	7,362	42,488	42,362	270,398	270,524	320,000
55,000	10,735	78,880	65,735	207,066	220,211	385,000
65,000	19,519	84,824	84,519	477,393	477,698	535,000
25,000	7,740	32,870	32,740	225,567	225,697	275,000
15,000	4,036	19,096	19,036	72,999	73,059	115,000
-	340	345	340	9,205	9,210	10,000
145,000	49,420	194,750	194,420	638,874	639,204	1,220,000
30,000	10,897	51,567	40,897	194,786	205,456	275,000
30,000	10,898	40,968	40,898	251,985	252,055	285,000
10,000	4,282	14,312	14,282	97,329	97,359	110,000
110,000	52,165	162,986	162,165	873,224	874,045	1,225,000
25,000	10,950	35,999	35,950	92,063	92,112	220,000
10,000	5,160	15,188	15,160	56,906	56,934	120,000
75,000	33,710	136,581	108,710	294,520	322,391	875,000
30,000	13,510	116,340	43,510	74,029	146,859	335,000
10,000	4,153	25,141	14,153	45,099	56,087	100,000
20,000	9,310	29,436	29,310	215,651	215,777	245,000
85,000	27,663	263,752	112,663	314,645	465,734	675,000
15,000	6,985	34,099	21,985	135,287	147,401	165,000
45,000	11,428	152,460	56,428	68,275	164,307	285,000
	15,857	54,816	15,857	70,147	109,106	310,000
5,000	7,335	71,221	12,335	32,579	91,465	145,000
40,000	31,218	190,547	71,218	140,294	259,623	620,000
	15,427	275,307	15,427		259,880	1,130,000
	5,908	140,398	5,908		134,490	430,000
	6,283	112,111	6,283		105,828	460,000
	6,756	227,490	6,756		220,734	495,000
	6,022	107,249	6,022		101,227	440,000
	8,459	151,061	8,459		142,602	620,000
	7,578	135,235	7,578		127,657	555,000
<u>\$ 1,035,000</u>	<u>\$ 432,822</u>	<u>\$ 3,239,896</u>	<u>\$ 1,467,822</u>	<u>\$ 6,064,717</u>	<u>\$ 7,836,791</u>	<u>\$ 14,505,000</u>

See Accompanying Independent Auditor's Report

**NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF CREDIT/CONTACT HOUR ENROLLMENT
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Category</u>	<u>Credit Hours</u>			<u>Contact Hours</u>		
	<u>Eligible for Aid</u>	<u>Not Eligible for Aid</u>	<u>Total</u>	<u>Eligible for Aid</u>	<u>Not Eligible for Aid</u>	<u>Total</u>
Arts and Sciences	11,519	-	11,519	233,220	-	233,220
Vocational Education	15,171	-	15,171	420,717	-	420,717
Adult and Continuing Education	-	-	-	303,289	22,697	325,986
Cooperative Programs and Services	-	-	-	-	-	-
Related Services and Activities	-	-	-	-	15,360	15,360
Total	26,690	-	26,690	957,226	38,057	995,283

See Accompanying Independent Auditor's Report

**NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF TAX AND INTERGOVERNMENTAL REVENUES**

	<u>Years Ended June 30,</u>				
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Local (Property Tax)	\$ 1,385,528	\$ 1,365,872	\$ 1,739,325	\$ 1,439,405	\$ 1,367,925
State	5,076,529	4,480,350	4,834,384	3,920,141	3,944,274
Federal	1,300,358	1,707,628	1,471,415	1,504,354	1,260,141
Total	<u>\$ 7,762,415</u>	<u>\$ 7,553,850</u>	<u>\$ 8,045,124</u>	<u>\$ 6,863,900</u>	<u>\$ 6,572,340</u>

See Accompanying Independent Auditor's Report

**NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF CURRENT FUND REVENUES BY SOURCE
AND EXPENDITURES BY FUNCTION
FOR THE LAST TWO YEARS**

	Years Ended June 30,	
	2006	2005
Revenues:		
State Appropriations	\$ 4,401,131	\$ 3,923,632
Tuition and Fees	3,680,573	3,320,277
Property Tax	904,535	892,918
Federal Appropriations	1,233,337	1,707,628
Interest on Investments	475,939	212,664
Rental of College Facilities	16,740	16,834
Iowa Industrial New Jobs Training Program	2,142,573	895,643
Auxiliary Enterprises	2,204,798	1,825,774
Miscellaneous	1,004,317	657,534
Total	\$ 16,063,943	\$ 13,452,904
Expenditures:		
Liberal Arts and Sciences	\$ 931,718	\$ 951,456
Vocational Technical	3,450,254	2,920,229
Adult Education	701,671	711,198
Cooperative Services	2,163,105	908,702
Administration	1,444,392	593,189
Student Services	632,854	566,894
Learning Resources	170,120	162,827
Physical Plant	723,572	660,123
General Institution	1,814,882	1,998,322
Auxiliary Enterprises	2,072,195	1,718,690
Scholarships and Grants	877,555	1,058,637
Total	\$ 14,982,318	\$ 12,250,267



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Northwest Iowa Community College
Sheldon, Iowa

We have audited the statement of net assets, and the related statement of revenues, expenses and changes in net assets and cash flows of NORTHWEST IOWA COMMUNITY COLLEGE, Sheldon, Iowa, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Northwest Iowa Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that we are required to report under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2006, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northwest Iowa Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting

that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Northwest Iowa Community College during the course of our audit. If you have any questions concerning the above matters we will be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
September 14, 2006



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Northwest Iowa Community College
Sheldon, Iowa

Compliance

We have audited the compliance of NORTHWEST IOWA COMMUNITY COLLEGE, Sheldon, Iowa, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2006. Northwest Iowa Community College's major Federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal program is the responsibility of Northwest Iowa Community College's management. Our responsibility is to express an opinion on Northwest Iowa Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Northwest Iowa Community College's compliance with those requirements.

In our opinion, Northwest Iowa Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Northwest Iowa Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Northwest Iowa Community College's internal control over compliance with

requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the officials, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
September 14, 2006

NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditors' Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) No material weaknesses were identified during the audit of the financial statements.
- (c) The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.
- (d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:

Student Financial Assistance Cluster:

CFDA Numbers:	84.007	Federal Supplemental Educational Opportunity Grants
	84.032	Federal Family Education Loans
	84.033	Federal Work-Study Program
	84.063	Federal Pell Grant Program

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Northwest Iowa Community College qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

No reportable conditions relating to the General Purpose Financial Statements were noted.

Part III: Findings and Questioned Costs for Federal Awards:

No instances of noncompliance or reportable conditions relating to Federal Awards were noted.

NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

- 06-IV-A Certified Budget – Total operating expenditures for the year ended June 30, 2006 did not exceed the amount budgeted.
- 06-IV-B Questionable Expenditures – No expenditures that did not meet the requirements of public purpose, as defined in an Attorney General's opinion, dated April 25, 1979, were noted.
- 06-IV-C Travel Expense – No expenditures of the Community College money for travel expenses of spouses of Community College officials or employees were noted. No travel advances to Community College officials or employees were noted.
- 06-IV-D Business Transactions – No business transactions between the Community College and the Community College officials or employees were noted.
- 06-IV-E Bond Coverage – Surety bond coverage of Community College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations
- 06-IV-F Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 06-IV-G Publication – The Community College published a statement of receipts and disbursements of all required funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Chapter 260C.14(12) of the Code of Iowa.
- 06-IV-H Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.
- 06-IV-I Credit/Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the Community College were supported by detailed records maintained by the Community College.

NORTHWEST IOWA COMMUNITY COLLEGE
SCHEDULE OF PRIOR YEAR FINDINGS FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

The audit for the year ended June 30, 2005 did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).